

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION

**PREPARED DIRECT TESTIMONY
OF
GLENN L. DAVIDSON
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 00-0435**

CHIEF CLERK'S OFFICE

AUG 29 1 25 PM '00

ILLINOIS
COMMERCE COMMISSION

- 1 Q1. Please state your name and business address.
- 2 A1. My name is Glenn L. Davidson, and my business address is 300 Liberty Street,
- 3 Peoria, Illinois 61602.
- 4 Q2. By whom are you employed and in what capacity?
- 5 A2. I am employed by Central Illinois Light Company (CILCO) as an accountant in
- 6 the Sales and Marketing Business Unit.
- 7 Q3. Please describe your educational background and work experience.
- 8 A3. I was graduated from the University of Illinois in 1977 with a Bachelor of Science
- 9 degree in Accounting. I am a Certified Public Accountant. In 1979, I was
- 10 employed by the Federal Energy Regulatory Commission where I worked as a
- 11 field auditor in the Office of the Chief Accountant. I joined CILCO in November
- 12 1989 and worked in General Accounting in the Accounting Department. In
- 13 December 1991, CILCO established the Energy Accounting Unit in the
- 14 Accounting Department and I became the supervisor of that unit until it dissolved
- 15 in late 1999. At that time to the present, I am an accountant for the Sales and
- 16 Marketing Business Unit
- 17 Q4. What are your responsibilities in your present position with CILCO?
- 18 A4. I am responsible for the preparation and maintenance of the financial accounting
- 19 records of the Sales and Marketing Business Unit of CILCO. This includes the
- 20 collection of data related to fuel, purchase and interchange power, natural gas
- 21 purchases, coal tar, EPA allowances and steam billings and the entry of the entry
- 22 of the data in the books and records of the Company. Those records are

23 maintained in the usual course of business of the Company in accordance with the
24 rules and regulations of the Illinois Commerce Commission ("ICC" or
25 "Commission"), the Federal Energy Regulatory Commission ("FERC") and the
26 Company's own rules.

27 Q5. What is the purpose of your testimony in this proceeding?

28 A5. On June 21, 2000, the Commission issued an Order Commencing Reconciliation
29 Proceedings requiring CILCO to reconcile Rider EPA revenues collected with
30 actual costs allowable under the provisions of Rider EPA for the year ended
31 December 31, 1999. The purpose of my testimony is to present the Rider EPA
32 reconciliation and evidence in a manner consistent with the Commission's Order.

33 Q6. Have schedules been prepared to which you will be referring in your testimony?

34 A6. Yes. I will sponsor CILCO Exhibits Nos. 1.1 and 1.2.

35 Q7. Has the Reconciliation of Rider EPA Charges been certified by the Company's
36 independent public accountants?

37 A7. Yes. At CILCO's request, Arthur Andersen LLP has reviewed CILCO's
38 Reconciliation of Rider EPA Charges through Application of Factor EPA for the
39 year ended December 31, 1999, and accompanying notes describing the basis of
40 the presentation set forth in the Statement, and has issued a letter of opinion on
41 the reconciliation. Arthur Andersen's letter is a part of CILCO Exhibit No. 1.1.

42 Q8. Was notice of the filing of testimony and schedules in this proceeding published
43 in newspapers of general circulation in CILCO's service territory in accordance
44 with the requirements of 83 Ill. Adm. Code 255 for giving notice of filing a
45 request for a general rate increase?

46 A8. Yes. The notices were published in the Peoria Journal Star, the Pekin Daily
47 Times, the State Journal-Register in Springfield, the Pantagraph in Bloomington
48 the Herald & Review in Decatur, the Courier in Lincoln, the News-Gazette in
49 Champaign, and the Commercial-News in Danville. In combination, these

50 newspapers are circulated generally throughout CILCO's service area. Copies of
51 these notices and the certificates of publication are contained in CILCO Exhibit
52 No. 1.2. Notice of the filing of testimony and schedules has also been posted in
53 the business offices of the Company.

54 Q9. Briefly describe the Company's Rider EPA and its application to sales and
55 wheeling services.

56 A9. On May 19, 1995, pursuant to Section 9-220.1 of the Public Utilities Act, CILCO
57 filed Rider EPA with the ICC. Rider EPA is designed to recover the fees paid
58 under Subsection 18 of Section 39.5 of the Illinois Environmental Protection Act
59 and carrying costs. Rider EPA became effective July 3, 1995, and is applied to all
60 billed retail kilowatt-hours in the months of November and December. Charges
61 under Rider EPA are the actual EPA permit fees for CILCO's Duck Creek Station
62 and E.D. Edwards Station, FESOP Site fee for Sterling Avenue and the Annual
63 Air Pollution Control State Site Fee for the Cogen One Plant, currently known as
64 Indian Trails, (formerly known as the Midwest Grain Cogeneration Facility) plus
65 carrying charges calculated under 83 Ill. Adm. Code 280.70(e)(1) for the period
66 including the calendar month immediately following the month of payment
67 through the filing month. The recoverable costs are then divided by the projected
68 retail kilowatt-hours to be billed in November and December to determine the
69 EPA charge to be billed to each customer.

70 Q10. Please describe the contents of CILCO Exhibit No. 1.1.

71 A10. As the Schedule sets forth, it contains the Company's reconciliation of Rider EPA
72 Fees and Factor Fi to recovery of Rider EPA Charges through application of Rider
73 EPA for the year ended December 31, 1999. The Schedule contains a title page, a
74 letter of opinion from Arthur Andersen LLP, the required reconciliation, and notes
75 to the reconciliation.

76 Q11. What were the results of the reconciliation of Rider EPA for year ended December
77 31, 1999?

78 A11. The reconciliation disclosed an underrecovery of \$11,785.35 for the year ended
79 December 31, 1999. In accordance with Rider EPA, CILCO will combine the
80 underrecovery of \$11,785.35 for the year ended December 31, 1999 plus any 1999
81 EPA recoveries and billing adjustments made in 2000 along with the 2000 EPA
82 permit fees and carrying charges in the next calculation of the Rider EPA Charge
83 effective for the months of November and December, 2000.

84 Q12. Were there any 1999 Rider EPA recoveries and billing adjustments recorded in
85 2000 that relate to November and December 1999 billings?

86 A12. Yes, these recoveries in 2000 are a result of late December billing cycles and
87 adjustments. Through January 2000, CILCO recorded an additional \$19,787 in
88 1999 Rider EPA recoveries.

89 Q13. How will this \$19,787 be treated in the next Rider EPA Charge calculation?

90 A13. This amount will be deducted from the \$11,785 December 31, 1999
91 underrecovery to arrive at a net overrecovery of \$8,002 which will be included in
92 CILCO's next calculation of Rider EPA along with any other recoveries and
93 adjustments prior to that calculation. According to CILCO's Rider EPA, the next
94 calculation will be filed with the Commission on or before October 20, 2000, and
95 be effective for the months of November and December, 2000.

96 Q14. Does this conclude your prepared direct testimony?

97 A14. Yes, it does.

CILCO Exhibit No. 1.1
Docket No. 00-0435
Witness: G. L. Davidson

CENTRAL ILLINOIS LIGHT COMPANY

RECONCILIATION OF RIDER EPA CHARGES TO RECOVERY
OF RIDER EPA CHARGES THROUGH APPLICATION OF FACTOR EPA
FOR
THE YEAR ENDED DECEMBER 31, 1999



ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Central Illinois Light Company:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of **CENTRAL ILLINOIS LIGHT COMPANY** for the year ended December 31, 1999, and have issued our report thereon dated January 28, 2000. We have also audited the accompanying Statement of Reconciliation of Rider EPA Charges to Recovery of Rider EPA Charges through Application of Factor EPA (the Statement) of Central Illinois Light Company for the year ended December 31, 1999. The Statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of complying with Central Illinois Light Company's Rider EPA, as filed with the Illinois Commerce Commission.

In our opinion, the Statement referred to above presents fairly, in all material respects, the information set forth therein of Central Illinois Light Company for the year ended December 31, 1999, in accordance with Central Illinois Light Company's Rider EPA, as filed with the Illinois Commerce Commission.

This report is intended solely for the information and use of Central Illinois Light Company and for filing with the Illinois Commerce Commission and should not be used for any other purpose.

Arthur Andersen LLP

Chicago, Illinois
January 28, 2000

CENTRAL ILLINOIS LIGHT COMPANY

Reconciliation of Rider EPA Charges to Recovery
of Rider EPA Charges through Application of Factor EPA
for the Period Ended December 31, 1999

Line No.	Description	Amount
EPA Fees		
1	1999 Title V Permit Fee - Duck Creek Station (ID 057801AAA)	\$100,000.00
2	1999 Title V Permit Fee - E.D. Edwards Station (ID 143805AAG)	100,000.00
3	1999 FESOP Site Fee - Sterling Avenue Station (ID 143065AMW)	1,386.00
4	1999 Annual Air Pollution Control State Site Fee - Cogen (ID 179060ADB)	1,492.00
5	Amount Held in Refund Account for 1998 EPA Fees	9,080.34
Factor Fi - Interest Associated EPA Fees		
6	1999 Title V Permit Fee - Duck Creek (Paid \$50,000 on July 26, 1999)	562.50
7	1999 Title V Permit Fee - Edwards (Paid \$50,000 on July 26, 1999)	562.50
8	1999 FESOP Site Fee - Sterling Avenue Station (Paid \$1,386 on 7/21/99)	15.59
9	1999 Annual State Site Fee - Cogen Station (Paid \$1,492 on 4/19/99)	33.57
10	Amount Held in Refund Account for 1998 EPA Fees	307.52
Rider EPA Recoveries		
11	November 1999 Recovery	(74,307.35)
12	December 1999 Recovery	(127,347.32)
13	Underrecovery at December 31, 1999	<u>\$11,785.35</u> =====

The accompanying notes are an integral part of this statement.

CENTRAL ILLINOIS LIGHT COMPANY

NOTES TO THE STATEMENT OF RECONCILIATION OF RIDER EPA
CHARGES TO RECOVERY OF RIDER EPA CHARGES THROUGH
APPLICATION OF FACTOR EPA FOR THE PERIOD ENDED
DECEMBER 31, 1999

- 1 The "EPA Fees" (Lines 1 through 5 of the Statement) represents the fees paid pursuant to subsection 18 of Section 39.5 of the Illinois Environmental Protection Act (Permitting Fees).
- 2 The "Factor Fi - Interest Associated EPA Fees" (Lines 6 through 10 of the Statement) represents interest calculated for each EPA permit fee paid. Each interest calculation utilizes the interest rate established by the Illinois Commerce Commission (ICC) under 83 Ill. Adm. Code 280.70(e)(1). The interest calculation period for each fee paid included the calendar month immediately following the month in which the Company paid each fee and all subsequent months up to and including the filing month.
- 3 The "Rider EPA Recoveries" (Lines 11 and 12 of the Statement) represents the EPA fees and associated Interest (Factor Fi) recovered through the application of Factor EPA, which is calculated for each kilowatt-hour to be billed during the recovery period of November and December and filed with the ICC.
- 4 The "Underrecovery at December 31, 1999" (Line 13 of the Statement) represents the amount by which Rider EPA recoveries for the period ended December 31, 1999 were less than the EPA fees and associated interest. This underrecovery will be charged to the appropriate customers through application of Factor EPA.

CILCO Exhibit No. 1.2
Docket No. 00-0435
Witness: G. L. Davidson

CENTRAL ILLINOIS LIGHT COMPANY

THIS SCHEDULE, WHICH CONTAINS THE CERTIFICATES
OF PUBLICATION AND THE PUBLISHED NOTICES,
IS TO BE SUPPLIED